

Water Pollution Control State Revolving Fund Intended Use Plan and Project Priority List

State Fiscal Year 2023

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MONTANA
WATER POLLUTION CONTROL STATE REVOLVING FUND
SFY23 INTENDED USE PLAN

I. INTRODUCTION

The *primary* purpose of the Intended Use Plan (IUP) is to identify the proposed annual intended uses of the federal and state funds available to the Montana Water Pollution Control State Revolving Fund (WPCSRF) program. Federal dollars appropriated in one year are available for use in the next year (i.e., the FFY22 appropriation is available in FFY23). On November 15, 2021, the Bipartisan Infrastructure Law (BIL) was signed into law. The BIL reauthorized the CWSRF program for federal fiscal years 2022 through 2026 with funding levels set through the annual appropriations process. With the enactment of BIL, starting in FFY22 Montana’s WPCSRF program will receive a supplemental capitalization grant to go along with the base grant issued under the FFY22 Consolidated Appropriations Act. Both grants are discussed in this document and will be referred to as either the “base capitalization grant” or the “supplemental capitalization grant.” Montana’s WPCSRF federal base capitalization grant for federal fiscal year 2022 is \$5,681,000. Montana’s WPCSRF federal supplemental capitalization grant for federal fiscal year 2022 is \$8,738,000. The State match for both grants will be raised through the sale of general obligation bonds as the need for funds arises. For the base cap grant, Montana provides the required 20% matching funds by issuing state GO bonds. For FFY22, the supplemental cap grant has a required match of 10% which will also be covered by issuing state GO bonds. The draft IUP will be reviewed by the public and a hearing will be held to allow an opportunity to publicly comment on the draft IUP.

The IUP includes the following:

- I. Introduction
- II. List of Projects
- III. Order of Funding
- IV. Uses of the Revolving Fund
- V. Goals and Objectives
- VI. Activities to be Supported
- VII. Assurances and Specific Proposals
- VIII. Criteria and Method for Distribution of Funds
- IX. Extended Financing
- X. Public Comment, Amending IUP, State Commitment of Funds

II. LIST OF PROJECTS

The WPCSRF program was developed to provide low interest loans for the planning, design, and construction (or implementation) of water pollution control projects. A complete list of all eligible projects that are considered possible candidates for assistance from the WPCSRF program (with either the base or supplemental cap grant funds) can be found in **Attachment I**, the Project Priority List (PPL). In addition to the PPL, this IUP also contains a list of new projects expected to receive WPCSRF funds in the next State Fiscal Year 2023 (SFY23) which runs from

July 1, 2022, through June 30, 2023. These projects are listed in **Attachment III** for the base allotment and in **Attachment IIIA** for the supplemental allotment.

A binding commitment will be in the form of a letter to the borrower describing the project and indicating the amount of the loan and the time at which the funds will be made available. The binding commitment obligates the State to make the loan and the borrower to receive the proceeds and repay the loan, as per specified terms.

III. ORDER OF FUNDING

The following factors will be considered when the project is ranked by the program:

1. Need for and benefit to be derived from the project as determined by the annual project priority list. The project ranking criteria were changed in FY12 to alleviate some past concerns by program staff related to inconsistency of project ranking and to provide more emphasis on public health and water quality protection instead of readiness to proceed. However, readiness to proceed remains one of the primary ranking categories. As in the past, the ranking criteria still integrate point source and nonpoint source projects. Additional points are given if the project is part of a DEQ compliance strategy or a Total Maximum Daily Load (TMDL) watershed restoration plan. Also, points assigned toward refinancing existing long-term debt is only awarded a total of 10 priority points and interim financing projects are limited to 25 total points per project so that more funds are directed toward new projects that provide direct benefit to water quality or human health.
2. Ability of the municipality or private person to finance the project, with and without loan assistance (See Section IX).
3. Amount of financial assistance available from the revolving fund and the cumulative amount of funds requested by other applicants.

IV. USES OF THE WATER POLLUTION CONTROL STATE REVOLVING FUND

The WPCSRF may be used to:

1. Provide low interest loans to municipalities for wastewater treatment systems, new interceptors, collectors, and appurtenances, infiltration/inflow correction, sewer system rehabilitation, correction of combined sewer overflows, and construction of new storm sewers and detention basins. The low interest loans can be made for up to 100 percent of the total project cost. Approximately \$712 million in loans (this does not include agricultural nonpoint source projects) have been made to communities in Montana. Each of these loans has had a total loan interest rate of 4% or less. Program interest rates will be evaluated and set annually. The interest rate for WPCSRF loans for SFY23 will be 2.50%.
2. Provide interim financing during construction for eligible projects. The interim financing rate for SFY23 will be 1.75%. The maximum term of the interim loan is the shorter of the construction period or three years.

3. Refinance qualifying debt obligations for water pollution control facilities if the debt was incurred, and construction initiated after March 7, 1985. Approximately \$11.5 million of debt has been refinanced through this program in the past. However, due to high demand for WPCSRF funds during the period covered by this IUP, it is not anticipated that WPCSRF funds will be provided for refinancing in SFY23.
4. Guarantee or purchase insurance for local debt obligations. As of May 2022, no loans have been made for this purpose.
5. Provide a source of revenue or security for general obligation bonds, the proceeds of which are deposited in the revolving fund. There is a 0.25% loan loss reserve surcharge included as part of the 2.50% interest rate. The purpose of the surcharge is to pay principal and interest on state G.O. Bonds if the Debt Service Account is insufficient to make payments. This is to secure \$23.2 million in State General Obligation Bonds. The excess over the required reserve has periodically been transferred to the principal account to make loans. In SFY23, it is anticipated that approximately \$200,000 in excess loan loss reserve funds will be transferred to the principal account and would be counted as additional state match for future capitalization grants.
6. Provide loan guarantees for similar revolving funds established by municipalities. As of May 2022, no loans have been made for this purpose.
7. Finance non-point source pollution control (Section 319) implementation projects or programs. As of May 2022, approximately \$89 million has been loaned for these types of projects. This includes irrigation, landfill, and stormwater projects.
8. Earn interest on program fund accounts. At the beginning of SFY13, cash flow analysis demonstrated this program will continue to be a strong source of loan funds after the federal grants are terminated. Interest income to date has been used to pay off program G.O. Bond debt. The cumulative interest earned in the program on investments is approximately \$9.2 million through May of 2022.
9. Pay reasonable administrative costs of the WPCSRF program not to exceed 4% (or the maximum amount allowed under the federal act) of all federal grants awarded to the fund. In addition to using WPCSRF funds for administration, each loan has a 0.25% administrative surcharge included in the 2.50% interest rate. These fees are not considered part of the loan principal. The reserve generated from this loan surcharge will be used for WPCSRF administration costs not covered by the EPA grants. Capitalization grants are approved by Congress every year and EPA is currently projecting WPCSRF funding for at least several more years. However, if needed, these administrative funds could be transferred to the principal account and used to make loans. In SFY23, it is anticipated that no administrative surcharge funds will be transferred to the principal account.

The special administrative fees collected through loan repayments can be broken down into two categories. If the fees are repaid from direct federal loans during the grant period (i.e., from capitalization grants that are still open as of May 2022 – see list below)

the uses of these fee funds will be limited to either SRF program administration or transfers to the principal account, as indicated above. However, fees repaid from loans made from capitalization grants that have been closed or from recycled funds, may be used for other purposes if those uses are consistent with the federal Clean Water Act, this Intended Use Plan, the Operating Agreement between DEQ and EPA, the Trust Indenture and DEQ and DNRC rules and laws governing the WPCSRF program.

FFY19, FFY20, and FFY21 grants are currently the only open cap grants. Projects drawing funds from these grants are:

Belgrade	Bigfork
Plentywood Phase II	Shelby III - Lagoon
Broadus	Shelby III - Liner
Cascade	Missoula – Caras Park
Vaughn	
Eureka	
Hardin	
Great Falls - Storm	
Sidney	
RAE WSD	

The special administrative fee collected from these combined projects in SFY23 is expected to be approximately \$59,521. The total special administrative fees expected to be collected in SFY23 are approximately \$1.077 million. Therefore, approximately \$1.01 million could be used for Clean Water Act-related purposes other than SRF administration and loans. Of the \$1.077 million to be received in SFY23, it is anticipated that about \$825,000 will be required for SRF administration, and approximately \$343,000 will be used for Clean Water Act-related purposes, as indicated below.

The WPCSRF program is expecting to use up to \$53,000 of the special administrative fee funds for advanced training for staff, consultants, and wastewater treatment operators to help promote operational optimization of wastewater treatment throughout Montana, especially with regard to nutrient and ammonia reduction. This training is a free service to Montana's operators. Special administration fees (up to \$80,000) are also expected to be used for partial funding of a wetland specialist to provide outreach, technical assistance and education for conservation and protection of natural wetlands. Approximately \$102,000 will be directed towards personal services and operating expenses for a wastewater technical assistance provider within DEQ to assist with optimization efforts, plant start-ups, O&M reviews, and operator training. Up to \$35,000 of these fee-based funds are anticipated to be used to fund water pollution control training costs for the Montana Water and Wastewater Operators Initiative (MW2OI), which provides specific education to water and wastewater operators in Montana. The WPCSRF program will contribute up to \$50,000 annually (SFY23 to SFY25) for the monitoring and testing of a constructed wetland pilot study to evaluate its use as a low-tech ammonia and nutrient reduction "technology" to help lagoons affordably reduce these effluent parameters. Due to a reduction in federal PPG funding in FFY22, approximately \$23,000 of special administration fees will be used to pay salaries and operating costs of WPCSRF technical staff for technical assistance to Montana communities for operation and maintenance inspections, advanced operations training and support. The total annual cost of the training, the

wetland specialist, METC, technical assistance providers, and the nutrient pilot study, including indirect costs, is expected to be approximately \$343,000.

A determination of which projects are to be selected from the PPL, the amount of assistance, and the financing terms and conditions will be made by the Montana Department of Environmental Quality (DEQ) and the Montana Department of Natural Resources and Conservation (DNRC). See Section VIII below for a discussion on the distribution of funds.

The entire state match for the current federal grant has already been deposited into the SRF fund and disbursed on eligible activities. Administrative draws for the base cap grant will be at the conventional 83.33% federal and 16.67% state match. BIL supplemental funds will use a cash draw ratio of 90.91% federal and 9.09% state match. During SFY23, State of Montana will continue to issue state match bonds and sweep excess SRF fees and deposit both sources of match into the SRF to be used for projects. These funds will be used to match future federal grants.

At the Governor's discretion, the state may transfer up to 33% of its Drinking Water SRF base and supplemental cap grants, on a cumulative basis, to the WPCSRF or an equal amount from the WPCSRF to the Drinking Water SRF. This transfer authority was effective thru fiscal year 2001. One-year extensions of this transfer authority were granted through the Appropriation Bills for federal fiscal years 2002 - 2022. In addition to transferring grant funds, states can also transfer state match, investment earnings, or principal and interest repayments between SRF programs.

Table 1 itemizes the amount of base funds available for transfer and that have been transferred between the WPCSRF and DWSRF programs to date based on the base SRF capitalization grants. It is not expected that any funds will be transferred from the base DWSRF to the base WPCSRF during the next 12 months. Table 1A itemizes the amount of supplemental funds that can be transferred between the WPCSRF and DWSRF program within the corresponding supplemental SRF capitalization grants.

TABLE 1 - AMOUNTS AVAILABLE TO TRANSFER BETWEEN STATE REVOLVING FUND BASE PROGRAMS

Year	Transaction Description	Banked Transfer Ceiling	Transferred from WPCSRF to DWSRF	Transferred from DWSRF to WPCSRF	DWSRF Funds Available for Transfer	WPCSRF Funds Available for Transfer
1997	DW Grant Award	4,892,646	---	---	4,892,646	4,892,646
1998	DW Grant Award	7,242,675	---	---	7,242,675	7,242,675
1999	DW Grant Award	9,705,729	---	---	9,705,729	9,705,729
2000	DW Grant Award	12,265,539	---	---	12,265,539	12,265,539
2000	Transfer (2nd Rnd \$)	12,265,539	4,750,328	-0-	17,015,867	7,515,211
2001	DW Grant Award	14,835,942	---	---	19,586,270	10,085,614
2001	Transfer (2nd Rnd \$)	14,835,942	4,032,158	-0-	23,618,428	6,053,456
2002	DW Grant Award	17,493,267	---	---	26,275,753	8,710,781
2004	DW Grant Award	20,134,608	---	---	28,917,094	11,352,122
2004	Transfer (2nd Rnd \$)	20,134,608	-0-	2,559,810	26,357,284	13,911,932
2005	Transfer (2nd Rnd \$)	20,134,608	-0-	2,570,403	23,786,881	16,482,335
2005	Transfer (2nd Rnd \$)	20,134,608	-0-	1,000,000	22,786,881	17,482,335
2005	DW Grant Awards	25,608,821	---	---	28,261,094	22,956,548
2005	Transfer (1st Rnd \$)		-0-	5,000,000	23,261,094	27,956,548
2006	DW Grant Award	28,324,490	-	-	25,976,763	30,672,217
2007	DW Grant Award	31,040,060	-	-	28,692,333	33,387,787
2008	Transfer (2nd Rnd \$)		2,500,000		31,192,333	30,887,787
2008	DW Grant Award	33,728,240			33,880,513	33,575,967
2009	Transfer (1st Rnd \$)			5,000,000	28,880,513	38,575,967
2009	DW Grant Award	36,416,420			31,568,693	41,264,147
2009	DW ARRA Grant Award	42,851,420			38,003,693	47,699,147
2010	DW Grant Award	47,330,510			42,482,783	52,178,237
2011	Transfer (1st Rnd \$)			3,000,000	39,482,783	55,178,237
2011	DW Grant Award	50,438,450			42,590,723	58,286,177
2012	DW Grant Award	53,400,200			45,552,473	61,247,927
2013	DW Grant Award	56,179,130			48,331,403	64,026,857
2014	DW Grant Award	59,097,980			51,250,253	66,945,707
2015	DW Grant Award	61,997,690			54,149,963	69,845,417
2016	DW Grant Award	64,740,650			56,892,923	72,588,377
2017	DW Grant Award	67,460,180			59,612,453	75,307,907
2018	DW Grant Award	71,208,650			63,360,923	79,056,377
2019	Transfer (2nd Rnd \$)			3,000,000	60,360,923	82,056,377
2019	DW Grant Award	74,839,970			63,992,243	85,687,697
2020	DW Grant Award	78,473,600			67,625,873	89,321,327
2021	DW Grant Award	82,103,930			71,256,203	92,951,657
2022	DW Grant Award	84,416,570			73,568,843	95,264,297
Total			\$11,282,486	\$22,130,213		

V. GOALS AND OBJECTIVES

Long-Term Goal and Objectives

The long-term goal of the WPCSRF is to maintain, restore and enhance the chemical, physical and biological integrity of the State's waters for the benefit of the overall environment and the protection of public health.

Objectives:

1. Provide affordable financial assistance for eligible applicants concurrent with the objective of maintaining a long-term, self-sustaining State Revolving Fund Program.
2. Fulfill the requirements of pertinent federal, state, and local laws and regulations governing water pollution control activities, while providing the state and local project sponsors with maximum flexibility and decision-making authority regarding such activities.
3. Direct additional subsidy (AS) to small, rural, tribal, and disadvantaged communities with eligible clean water projects.
4. Work with the DEQ 319 program and explore ways to fund more NPS projects.
5. Identify needs for which 2% of each cap grant can be used to provide technical assistance to enhance or build programs that proactively identify, reach out to, and provide assistance to rural, small, and tribal publicly owned treatment works with a focus towards disadvantaged communities.

Short-Term Goal and Objectives

The short-term goals of the WPCSRF are to continue to preserve and improve the quality of the state's waters (surface and groundwater), meet the water pollution control needs of the state, and eliminate any public health hazards related to the discharge of inadequately treated wastewater or other pollutants. As an estimated measure of the environmental benefits attained through funding of water pollution control projects, the WPCSRF program will continue to enter into the EPA database the environmental benefits information for each project during 2023.

Objectives:

1. Maintain and promote the WPCSRF program, which provides low interest financing (up to 100 percent loans) for water pollution control projects; provide loans for approximately 14 new projects in SFY23 from the base capitalization grant and approximately 15 new projects in SFY23 from the supplemental capitalization grant.
2. Ensure the technical integrity of WPCSRF projects through the review of planning documents, design plans and specifications, construction activities and development of a sound operation and maintenance program.

3. Ensure compliance with all pertinent federal, state, and local water pollution control laws and regulations.
4. Obtain optimum turnover of the funds for the State in the shortest reasonable time; fund eligible NPS projects.
5. Simplify the administrative and regulatory requirements of the program, without sacrificing project quality, to make the financial assistance readily accessible; coordinate on a regular basis with DNRC and financial consultants to consider ways to improve the program and optimize use of resources.
6. Apply for all available appropriated federal funds, for which a need has been identified, contingent upon federal legislation.

VI. INFORMATION ON THE ACTIVITIES TO BE SUPPORTED

The primary type of assistance to be provided by the WPCSRF is expected to be loans. On a more limited basis, the State may provide funds for refinancing existing debt, guarantee or buy insurance for local debt obligations, or leverage bond issues, although none of these activities are expected during the period covered by this IUP.

These types of assistance will be provided to local communities, sanitary sewer districts, counties, eligible private persons, or other sub-governmental units recognized under Montana statutes for the construction of publicly owned wastewater treatment facilities or non-point source water pollution control projects.

The State plans on reserving \$400,000 from both the base and supplemental federal capitalization grant (total \$800,000) for administrative expenses in SFY23.

VII. ASSURANCES AND SPECIFIC PROPOSALS

The State will assure compliance with the following sections of the law in the State/EPA Operating Agreement, of which this document is a part. All projects listed in Attachment III and IIIA that will receive AS will comply with all federal requirements. In addition, the State has developed specific proposals for implementation of those assurances in the rules promulgated by the Montana Department of Environmental Quality (DEQ) and the Montana Department of Natural Resources and Conservation (DNRC).

- Section 602(a) - Environmental Reviews - The State of Montana certifies that it will conduct environmental reviews of each Title II project receiving assistance from the WPCSRF. Montana will follow EPA approved, NEPA-like procedures in conjunction with such environmental reviews.
- Section 602(b)(3) - Binding Commitments - The State of Montana certifies that it will enter into binding commitments equal to at least 120% of each quarterly grant payment within one year after receipt (on a cumulative basis).

- Section 602(b) (4) - Timely Expenditures - The State of Montana certifies that it will expend all funds in the WPCSRF in an expeditious and timely manner.
- Section 602(b)(6) - Compliance with Title II Requirements - The State of Montana certifies that the applicable Title II requirements listed under this section will be satisfied in the same manner as projects constructed under Title II of the Clean Water Act.

The requirements for Clean Water SRF programs, including Montana's WPCSRF program, included in the Federal Water Resources Reform and Development Act (WRRDA) which was passed by Congress in 2014 remain in effect for both the base and supplemental FFY22 capitalization grants. A summary of the requirements and a brief description of how the WPCSRF program will address them are included below.

Cost and Effectiveness: The SRF recipient must certify that it has studied and evaluated the cost and effectiveness of the proposed project and, to the maximum extent possible, has selected the alternative that maximizes the potential for water conservation and energy efficiency. With a continuing trend for the development of wastewater facilities that are more sustainable and resilient, it has been our experience that most, if not all, engineering consultants consider energy usage and practical opportunities for water conservation (which are limited in water pollution control projects) in the alternative analysis within Preliminary Engineering Reports. It is through the development of these planning documents that we feel the cost and effectiveness requirement is adequately addressed. The WPCSRF program requires a certification statement from the recipient in the final stages of the planning phase of a project that cost and effectiveness requirements have been met.

Engineering Procurement: The State must either certify that the laws required for procurement of engineering services are equivalent to the federal requirements, which stipulates a qualifications-based selection process, or adopt the federal procurement requirements (40 U.S.C. 1101). Although Montana's procurement laws are consistent or equivalent to the federal requirements in most respects, DEQ's legal counsel felt that the differences between the state and federal laws were significant enough that the certification of equivalence could not be made. Therefore, the WPCSRF program will use the federal procurement requirements for architect and engineer procurement rather than try to change the state law.

Fiscal Sustainability Plans: A loan recipient must certify that it has developed and implemented a fiscal sustainability plan that includes: an inventory of critical assets; an evaluation of the condition and performance of the assets; evaluation and implementation of water and energy conservation efforts; and a plan for maintaining, repairing and replacement of treatment works. Some states, including Montana, do not give direct loans to communities. Rather, they buy the bonds that are issued by communities. The wording in the WRRDA pertaining to this requirement specifically refers to loans and, therefore, unless and until the wording in the law is modified, EPA has indicated that this requirement does not apply to Montana's WPCSRF program.

Extended loan terms: Loan terms can be extended to 30 years or to the useful life of the project, whichever is less. Affordability does not need to be a factor in extending loan terms. As indicated in this IUP, Montana WPCSRF program has removed the requirement that extended loan terms only apply to disadvantaged communities. However, the loan term cannot exceed the useful life of the project. For project components that may have a shorter life than the loan, replacement costs will be factored into the operating budget.

Disadvantaged Communities/Affordability: A key priority of the bipartisan infrastructure law (BIL) is to ensure that small (population < 10,000) or disadvantaged communities benefit equitably from this investment in water infrastructure. Disadvantaged communities can include low-income people, communities of color, or areas that experience, or are at risk of experiencing, disproportionately high exposure to pollutants. Both the base and supplemental capitalization grants mandate that a portion of the funds be provided as additional subsidy (AS) to communities that meet the state's affordability criteria. The Clean Water Act specifically requires states to develop affordability criteria for the distribution of AS based on income, unemployment data, and population trends. The criteria Montana uses for awarding AS (i.e., principal forgiveness loans), include unemployment rates, median household income and population trends. The BIL explicitly seeks to ensure that small or disadvantaged communities have access to funds to improve their wastewater infrastructure. To better ensure these communities receive AS, the criteria will also consider community size, and low- and moderate- income data. It is left up to each state as to how these criteria are incorporated into the evaluation of affordability. Please see discussion below for further details.

Build America/Buy America (BABA) Requirements: Effective May 14, 2022, all WPCSRF projects funded fully or in part with base or supplemental capitalization grant funds must comply with the Build America, Buy America Act. This Act requires that all the iron, steel, manufactured products, and construction materials used in the project must be produced in the United States.

For iron and steel products and construction materials that are permanently incorporated in the project, all manufacturing processes, from the initial melting state through the application of coatings must occur in the United States. This includes products made primarily of iron or steel such as lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, and reinforced precast concrete and construction materials made primarily of iron or steel such as wire, cables, rebar, framing, joists, decking, grating, railings, stairs, and fencing.

The term "manufactured product" means the manufactured product was manufactured in the United States, and the cost of the components of the manufactured product that are mined, produced, or manufactured in the United States is greater than 55 percent of the total cost of all components of the manufactured product. This includes (but is not limited to) pumps, motors, drives, mixers, motorized screens, controls and switches, membrane bioreactor systems, membrane filtration systems, clarifiers, disinfection systems, HVAC systems, and skids that contain multiple components.

For construction materials, all manufacturing processes for the construction material occurred in the United States. This includes an article, material, or supply that is or consists primarily of non-ferrous metals (construction materials made of ferrous metals are covered under iron and steel), plastic- and polymer-based products including PVC, composite building materials, and polymers used in fiber optic cables, glass including optic glass, lumber, and drywall.

Specification inserts and certification forms have been developed by the WPCSRF program and will be used to help communities meet this requirement.

American Iron and Steel Requirements: All iron and steel products (as defined by WRRDA) in any project funded fully, or in part, with SRF recycled funds must be produced in the USA. Iron and steel products are defined in WRRDA as: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restrains, valves, structural steel, reinforced precast concrete, and construction materials. The WPCSRF program has been implementing this requirement, as required by previous federal grants, for several years now. Specification inserts and certification forms have been developed by the WPCSRF program and will continue to be used to help communities meet this requirement.

Federal Davis Bacon wages and Disadvantaged Business Enterprises: These requirements have been in place for some time and will continue to be a requirement. Davis Bacon requirements apply to all SRF-funded projects and DBE requirements apply to only those projects funded with federal WPCSRF funds.

Additional Subsidization: Under BIL CWSRF programs must provide additional subsidization (AS). The maximum amount of AS that a state program may award from the base cap grant amount is dependent on the national appropriation amount. Some AS is allowed in proportion to federal appropriations greater than \$1 billion. If the federal appropriation is less than \$1 billion, no AS is allowed. The awarding AS must be based on affordability criteria or for projects that address water or energy efficiency goals; mitigate stormwater runoff; or encourages sustainable project planning, design and construction. Montana has chosen to primarily use the affordability criterion for awarding AS but reserves the right to award AS to projects in the other categories if funds are available.

In FFY22 the total amount of AS (i.e., principal forgiveness) that the CWSRF must allocate for the base capitalization grant ranges from a minimum of 20% up to a maximum of 40% of that capitalization grant. The total amount of principal forgiveness that the CWSRF may allocate under the FFY22 supplemental capitalization grant is fixed at 49% of that capitalization grant. This amount is mandated in the BIL.

The Montana WPCSRF program has historically awarded 25 to 30% of its cap grant as AS in any individual year. This has generally been based on user rates per median household income, unemployment rates, and population trends. Starting in FFY22, as a means of ensuring that small (population <10,000) or disadvantaged communities are prioritized to receive AS, the affordability criteria will also take into consideration

community size, and low- to moderate- income data. Please see discussion above on affordability requirements and Section VIII, Criteria and Method for Distribution of Funds.

VIII. CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

Historically, WPCSRF funds were allocated on a first-come, first-served basis because the supply of funds exceeded the demand. This allowed for the funding of all the projects as they went into construction. However, due to annual federal requirements for principal forgiveness and green project reserve, it has become important to identify in each IUP which projects will be receiving SRF funds, including principal forgiveness, for the next fiscal year. **See Attachment III for a list of projects expected to receive WPCSRF funds and principal forgiveness in SFY23 from the base capitalization grant. See Attachment III A for a list of projects expected to receive WPCSRF funds and principal forgiveness in SFY23 from the supplemental capitalization grant.**

Although not contained in the BIL, the FFY22 Consolidated Appropriations Act through which the base capitalization grant was appropriated requires that at least 10% of the base capitalization grant must be used to fund green projects as defined by EPA. Projects that qualify for the Green Project Reserve are those that address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. These projects are identified based upon information provided in the Clean Water Needs Survey that is required for each project that requests funding from the WPCSRF program. Each fiscal year the Resource Development (RD) Bureau housed within the Department of Natural Resources and Conservation requests a \$1 million dollar loan that they then administer to Montana farmers and ranchers for the implementation of agricultural best management practices (BMPs); primarily the conversion of flood irrigation operations to sprinkler irrigation systems. This loan to the RD Bureau meets the 10% green project reserve requirement for the capitalization grant. Projects that qualify in whole, or in part, for green reserve are identified in Attachment III.

The FFY22 Clean Water SRF federal appropriation is approximately \$1.19 billion, therefore, Montana has the option of awarding between 20 and 40% of its base capitalization grant in the form of principal forgiveness. The WPCSRF program is proposing to award approximately 30% of its FFY22 base cap grant, or \$1,725,000 as principal forgiveness. The BIL mandates that 49% of the funds provided through the FY22 supplemental cap grant funding, or \$4,281,620, must be provided as principal forgiveness.

The following factors will be considered in the allocation of principal forgiveness:

The WPCSRF program has historically and will continue to award principal forgiveness primarily through an affordability assessment for those projects deemed ready to proceed to construction in SFY23. As required by federal law, three factors will continue to be used to arrive at a composite affordability score: income, the local unemployment rate, and local population trends. The BIL funding explicitly seeks to ensure that small or disadvantaged communities have better access to SRF funds to improve their wastewater infrastructure. It was felt by the WPCSRF program that the best way to ensure that that objective was achieved was to consider community size, and low- and moderate-income data in the affordability criteria analysis. Each criterion is described in more detail below.

Monthly Median Household Income (mMHI)

The WPCSRF program has chosen to incorporate income into the composite affordability score through comparison of the user rate per monthly median household income factor for each community. The WPCSRF program feels that this factor establishes a level playing field between different communities with regards to varied user rates and incomes. The idea is that communities with higher monthly median household incomes can afford higher rates than those with lower monthly median household incomes and those communities already paying high user rates should be given more points when considering which communities should benefit from AS. For example, if a community has a user rate of \$32.67 and a mMHI of \$3,192 the user rate/mMHI ratio would be 1.02 % and the composite affordability score would be increased by 1.02 points.

Unemployment

A local unemployment rate greater than 150% of the current state average unemployment rate (2.7%) will be added to the affordability criteria score. For example, if the unemployment rate for a community is 8.3%, that rate would be approximately 4.25 percentage points higher than 150% of the average state unemployment rate. So, the composite affordability score would be increased by 4.25 percentage points.

Population Trends

Population growth rates of zero to 1.5% per year are viewed by the WPCSRF program as relatively normal based on many years of reviewing municipal wastewater planning documents. Therefore, growth rates above 1.5%/year or negative growth rates may pose exceptional affordability issues. Very high growth rates may put a higher financial burden on existing residents to accommodate the building of large treatment projects relative to the existing population. Decreasing growth rates leave fewer people to shoulder the financial burden of regulatory compliance. For a population growth factor, the WPCSRF proposes a method similar to the unemployment rate methodology and will award points if the growth rate is either above 1.5%/year or less than -0.25%/year. For example, if a community has a growth rate of -0.4%/year, this is 0.15 percentage points less than -0.25%/year. The composite affordability score would be increased by 0.15.

Community Size

A priority of the BIL is to ensure that small communities (population < 10,000) benefit equitably from the SRF investment in water infrastructure. To achieve this goal the SRF program used census data from the Montana Census and Economic Information Center to calculate the percentage below (positive number) or above (negative number) the baseline population of 10,000. For example, if a community has a population of 7,300, this is equivalent to a 0.27 percentage change whereas a community with a population of 14,900 would have a -0.49 percentage change. These percentages will increase or decrease the community's composite affordability score depending on the size of the community.

Disadvantaged Communities

Another priority of the BIL is to ensure that disadvantaged communities benefit equitably from the SRF investment in water infrastructure. To identify economically disadvantaged communities the WPCSRF program considered low- and moderate- income (LMI) data. This information is available for all incorporated city/towns and census designated places from the Montana Department of Commerce's Community Development Division and is based on the U.S. Census Bureau's American Communities Survey data set 2015-2019. The LMI percent is calculated by U.S. Housing and Urban Development (HUD) using data from the U.S. Census Bureau's Decennial Census. LMI families are defined as those families whose income does not exceed 80% of the county median income for the previous year or 80% of the median income of the entire non-metropolitan area of the State of Montana, whichever is higher. For example, a community with an LMI of 43.5% would receive 0.435 points to their overall composite affordability score.

Based on these criteria, communities are ranked based on their overall composite affordability score and AS awarded in the form of principal forgiveness until those funds are fully awarded. If AS is still available after all qualifying communities have been award AS, then municipalities that do not meet the affordability criteria may also be given consideration and provided AS to benefit individual rate payers in the residential user rate class.

It is important to keep in mind that the composite affordability score is just a relative comparison of a community's ability to "afford" the project based on the criteria considered and is not indicative of the importance or need for any project.

1. Consideration will be given to the effectiveness of the principal forgiveness in reducing user rates for each project. If the infusion of principal forgiveness funds into a project result in a similar reduction of grant funds from another funding agency, with the result being no or limited decrease in user rates, the WPCSRF program may instead allocate the principal forgiveness to another project where final user rates will, in fact, be reduced.
2. No project shall be awarded principal forgiveness more than once.
3. To spread the funds to more than one project, it is proposed that the principal forgiveness will be capped at \$750,000 or 35% of the long-term SRF loan amount, whichever is less for the base cap grant; and at \$750,000 or 49% of the long-term SRF loan amount, whichever is less for the supplemental cap grant. These caps and percentages may change slightly depending on the projects selected in the final IUP and actual loan closed amounts.
4. Projects seeking short-term financing will not be given principal forgiveness; only long-term loans will be eligible for additional subsidy. Principal forgiveness will not be given for refinancing of projects.
5. Projects receiving principal forgiveness will be allowed to receive extended loan terms of up to 30 years provided the loan term does not exceed the useful life of the improvements.

6. If a community determines they no longer need to utilize SRF funds any principal forgiveness awarded to that community will be awarded to the next highest rated project based on the criteria described above.

The proposed list of projects that will receive WPCSRF funds in SFY23 is included as Attachment III and Attachment IIIA.

Loan terms and interest rates will be determined in accordance with the Administrative Rules adopted by the DNRC. The WPCSRF program may choose to limit the maximum amount of any loan if the demand for loan funds exceeds the availability of funds. Interest rates must be established to generate sufficient revenues to allow the State to make the principal and interest payments on general obligation bonds sold to generate the State match or meet project demand and to ensure the program is operated in perpetuity. Ability to repay the loan will also be considered when establishing loan terms. The types of financial assistance provided by the WPCSRF will initially be based on the applicant's request. It is anticipated that most of the assistance will be provided in the form of direct loans (more precisely, the purchase of community-issued bonds by the WPCSRF program).

IX. EXTENDED FINANCING

To provide additional assistance to communities, the WPCSRF program will offer extended finance terms to qualifying projects. The extended loan terms allow communities up to 30 years to repay the loan. Loan terms cannot extend past the useful life of the improvements to be funded; therefore, it is expected that eligible projects will generally be new collection system piping and appurtenances. However, in certain situations, the WPCSRF program may consider extended financing for some treatment facilities if the replacement costs for the shorter-term assets (pumps, blowers, controls, lagoon liners, etc.) are set aside by the community on an annual basis to ensure continuity of treatment or use throughout the term of the loan. The WPCSRF program reserves the right to limit extended term financing at any time to ensure the perpetuity of the fund.

X. PUBLIC COMMENT, AMENDING IUP, STATE FINANCIAL COMMITMENT

Public Review and Comment – One public hearing was held on July 28, 2022, in Helena to discuss the SFY23 PPL and to allow public comment on the draft IUP. Public notice concerning the PPL and IUP was posted in major newspapers across the state, and the notice and draft IUP was published on DEQ's website. There was a 30-day public comment period for the public to review and comment on the draft IUP. That comment period ended August 10, 2022.

Amending the IUP - A simple addition to the PPL and IUP will be allowed after notification has been provided to affected projects (if any) already on the list. If a project scheduled to receive loan assistance within the year is displaced by the addition of a new project, a formal public hearing, if requested, will be held to allow comment on the modifications to the PPL and IUP.

State Financial Commitment - The 1989 Montana Legislature passed House Bill 601, entitled the Wastewater Treatment Revolving Fund Act, which was subsequently signed into law by the Governor. The Act created the new program, established administrative procedures and allowed for a sale of state general obligation bonds in an amount not to exceed ten million dollars. The

1995 Montana Legislature passed House Bill 493, which was subsequently signed into law by the Governor. Among other things, the Act allowed for the sale of state general obligation bonds in an amount not to exceed an additional five million dollars. The 1999 Montana Legislature passed House Bill 110, which gives the WPCSRF an additional fifteen million dollars in general obligation-bonding authority. The 2003 Montana legislature passed House bill 46, which gives the WPCSRF an additional ten million dollars in general obligation-bonding authority. The combined bonding authority provided by these four bills furnishes the WPCSRF with forty million dollars in state general obligation bond authority, which provides enough funds to match all federal appropriations (1989-2019) that have been awarded to the program to date, as well as excess bond authority to match potential future federal appropriations. In 2005 with HB142, the Legislative session allowed the bond authority to be up to \$40 million in outstanding bonds. The State held its first bond sale in 1991. In June of 1996, Montana held its second and third bond sales to provide State match funds for projects scheduled to proceed in FFY 1997. In March of 1998, a fourth bond sale was held to provide State match for projects scheduled to proceed in FFY 1998 and 1999. In March of 2000, a fifth bond sale was held to provide State match for projects scheduled to proceed in FFY 2000 and 2001. In June 2001, a sixth bond sale was held to provide match for projects scheduled to proceed in 2002 and 2003. In June of 2003, a sixth bond sale was held to provide match for projects projected to proceed in 2003. In April of 2004, a seventh bond sale was held to provide match for projects projected to proceed in 2004. An eighth bond sale was held in April of 2005, to provide state match for proposed projects to proceed in 2005. The bond authorization includes notes to be issued instead of bonds. Note sales were held in October 2007, for \$500,000, in April 2008, for \$400,000, and in March 2009, for \$2,000,000. A bond sale of \$6,450,000 was held in 2010. In 2013, a bond sale of \$5,000,000 was held. A bond sale of \$24,365,000 was held in June 2015. A revenue anticipation note was issued in October 2016.

As discussed previously, the increased demand for funds may force the WPCSRF program to issue periodic bond anticipation notes (BANs) for the program to keep the projects moving through construction with adequate SRF funds. A bond anticipation note of approximately \$5,000,000 is anticipated in SFY23.

MONTANA
WPCSRF Project Priority List
 State Fiscal Year: 2023

<i>Rank</i>	<i>Name</i>	<i>EPAID</i>	<i>Category</i>	<i>Ranking Points</i>	<i>Amount Assist Type</i>	<i>Commit Date</i>
1	Roberts Forcemain (No MPDES permit)	C301305	IIIA	405	\$207,500 Loan	2/1/2020
2	Helena Westside Collection (MPDES# MT0022641)	C303218	IVA	390	\$2,754,000 Loan	12/1/2019
3	Wibaux Spray Irrigation (No MPDES permit)	C301302	I	385	\$1,400,000 Loan	9/1/2022
4	Absarokee WWTF Improvements (MPDES# MT0021750)	C301308	II	385	\$4,650,000 Loan	5/1/2020
5	Thompson Falls WWTP (MPDES# MTG580035)	C303706	II, IVA,IVB	380	\$4,000,000 Loan	9/1/2020
6	Fort Smith W&S WWTP Upgrades (No MPDES permit)	C301218	I, IVA, IVB	370	\$3,200,000 Loan	10/1/2022
7	Plains WWTP (MPDES# MT0030465)	C301291	I	365	\$2,020,000 Loan	1/1/2022
8	Belgrade WRRF Upgrade 2020 (MPDES# MTX000116)	C303707	II, IIIB, IVB	365	\$15,850,000 Loan	4/1/2020
9	Hobson WW Improv. (MPDES# MT0021636)	C303714	I, IIIB	360	\$500,000 Loan	5/1/2023
10	Caras Park SW Infil. - Missoula (No MPDES permit)	C305184		360	\$500,000 Loan	10/1/2021
11	Twin Bridges Stormwater Control (No MPDES permit)	C305181	VI	360	\$600,000 Loan	8/1/2019
12	Whitefish WWTP Upgrade 2019 (MPDES# MT0020184)	C301288	II	360	\$17,400,000 Loan	9/1/2019
13	Vaughn Treatment & Lift Station (MPDES# MT0021440)	C304227	I, IIIB	345	\$2,145,000 Loan	3/1/2018
14	Riverside Connection to Bozeman (MPDES# MT0022608)	C302257	IVB	345	\$2,200,000 Loan	6/1/2023
15	Philipsburg WWTP Improvements (MPDES# MT0031500)	C301318	I	340	\$1,220,000 Loan	5/1/2023
16	Missoula South Hills Stormwater (MPDES# MTR040000)	C305187	VI	320	\$245,500 Loan	4/1/2023
17	Bigfork Col. Sys. Improv. -2019 (MPDES# MT0020397)	C304243	IIIB	320	\$1,573,000 Loan	1/1/2020
18	Red Lodge Collection 2021 (MPDES# MT0020478)	C302270	III	310	\$400,000 Loan	6/1/2021

Rank	Name	EPAID	Category	Ranking Points	Amount Assist Type	Commit Date
19	Choteau Coll. Sys. Improv. 2021 (MPDES#MT0020052)	C304240	IIIA	310	\$618,000 Loan	5/1/2022
20	Jordan Treat. Sys. Improv. (MPDES#MT0021385)	C301312	I	300	\$450,000 Loan	7/1/2023
21	Plentywood Collection Ph 2 (MPDES# MTG580008)	C302254	IIIB	295	\$5,000,000 Loan	7/1/2020
22	Harlowton UV and Solids Removal (MPDES# MT0000400)	C301306	IIIA	295	\$750,000 Loan	9/1/2020
23	Manhattan WWTP Improvements (MPDES# MT0021857)	C301311	II	290	\$5,000,000 Loan	5/1/2023
24	Terry WWTP Upgrades (MPDES# MTG580017)	C301285	I, IIIA	290	\$962,000 Loan	9/1/2022
25	St Regis Sewer District - FM (No MPDES permit)	C302272	IVA	285	\$899,922 Loan	10/1/2022
26	Red Lodge Storm Sewer (MPDES# MT0020478)	C305186	V	275	\$2,300,000 Loan	9/1/2022
27	Cooke City - New WWTF (No MPDES permit)	C303711	I, IVA	275	\$3,000,000 Loan	5/1/2024
28	Denton 2022WW Sys. Improv. (MPDES# MT0022462)	C304256	I, IVA	275	\$862,000 Loan	6/1/2023
29	Hill Co. RSID 29/30 L.S. Imprv. (MPDES# MT0022535)	C302280	IIIB	270	\$315,000 Loan	10/1/2022
30	Polson Collection Improve. (NPDES# MT0020559)	C304244	IIIB	265	\$800,000 Loan	4/1/2020
31	DNRC NPS Projects (No MPDES permit)	C307175	VIIA, VIIIE	265	\$2,100,000 Loan	6/1/2023
32	Big Sky - Lower Canyon LS & Col. (No MPDES permit)	C302273	IIIA	265	\$32,000,000 Loan	5/1/2024
33	Fairview Coll. Sys. Improv. (No MPDES permit)	C302269	IIIA	260	\$150,000 Loan	7/1/2022
34	West Yellowstone WWTP 2021 (MPDES# MTX000244)	C301313	I	260	\$8,000,000 Loan	7/1/2023
35	Missoula Treat, Collect, Compost(MPDES# MT0022594)	C303713	II, IIIA, IIIB	255	\$3,100,000 Loan	9/1/2022
36	Libby Creek Community (MPDES# MT003034)	C303718	I, IVA, IVB	255	\$500,000 Loan	6/1/2023
37	Hardin WWTP Upgrade Phase 3 (NPDES# MT0030759)	C301304	I	255	\$600,000 Loan	7/1/2024
38	Malta Trafton LS Improvements (MPDES# MT0020389)	C302279	IIIB	250	\$200,000 Loan	7/1/2022
39	Hardin WWTP Improv Ph 2 (NPDES# MT0030759)	C301316	I	245	\$2,100,000 Loan	7/1/2023

Rank	Name	EPAID	Category	Ranking Points	Amount Assist Type	Commit Date
40	Glendive - 2022 Main Repl./Rehab (MPDES#MT0021628)	C302268	IIIA	245	\$440,000 Loan	5/1/2023
41	Kalispell Lift Station (MPDES# MT0021938)	C302266	III	245	\$1,800,000 Loan	8/1/2022
42	Momont LS Project-Missoula (MPDES# MT0022594)	C302271	IIIB	245	\$1,320,000 Loan	5/1/2023
43	Gardiner W&S Disrict WW Rehab (MPDES# MT0022705)	C301299	I	240	\$2,500,000 Loan	6/1/2021
44	Shelby WWTF Upgrades&Disinfect (MPDES# MT0031488)	C301280	IIIA	235	\$1,950,000 Loan	8/1/2018
45	Kalispell WW EQ Basin Expasion (MPDES# MT0021938)	C301314	II	225	\$3,100,000 Loan	5/1/2023
46	Kalispell WW Ferm. Rehab. (MPDES# MT0021938)	C301315	II	225	\$2,500,000 Loan	5/1/2023
47	HelenaPrim. Clar pump stat. (MPDES# MT0022641)	C301317	I	215	\$850,000 Loan	5/1/2023
48	Lakeside LS & WWTF Improvements (No MPDES permit)	C303712	I, III	210	\$1,400,000 Loan	6/1/2023
49	Simms Lagoon improvements (No MPDES permit)	C301284	1	210	\$360,000 Loan	7/1/2023
50	Conrad Storm Sewer & L.S. Project (MT0020079)	C306122	IVA, VI	205	\$1,900,000 Loan	5/1/2024
51	RAE WWTP Improvements 2019 (MPDES# MTX000117)	C301286	I	205	\$2,767,950 Loan	4/1/2020
52	Kallispell - Morning Star Comm. (MPDES# MT0021938)	C302281	IVA, IVB	205	\$137,100 Loan	5/1/2024
53	Lockwood WSD Ph3 Sewer Improve. (MPDES# MT0022586)	C302262	IVA, IVB	195	\$5,000,000 Loan	5/1/2024
54	Havre I&I Improvements (MPDES# MT000022535)	C304222	IIIA	185	\$1,700,000 Loan	7/1/2023
55	Drummond Lagoon Improvements (MPDES# MTG580002)	C304154	I	180	\$600,000 Loan	6/1/2023
56	Hardin Coll. Sys Improv. Ph 1 (NPDES# MT0030759)	C304246	IIIA, IIIB	175	\$770,986 Loan	10/1/2020
57	Paradise WW System Improve. (No MPDES permit)	C303709	I, IVA, IVB	170	\$770,000 Loan	9/1/2023
58	Hideaway Com. W&S - Col. Falls (MPDES# MT0020036)	C303719	I, IVA, IVB	170	\$470,000 Loan	5/1/2024
59	Helena Airport Gravity Main (MPDES# MT0022641)	C302275	IIIB	170	\$3,000,000 Loan	5/1/2024
60	Wolf Point Ph2 WWTP Improve. (NPDES# MT0020532)	C303716	I, IIIB	165	\$1,050,000 Loan	10/1/2024

Rank	Name	EPAID	Category	Ranking Points	Amount Assist Type	Commit Date
61	Bigfork West Trunk Main Coll. (MPDES# MT0020397)	C304257	IIIA, IIIB	160	\$1,100,000 Loan	5/1/2024
62	Boz. Davis LS/Norton Sewer (MPDES# MT0022608)	C302252	IVB	160	\$15,363,000 Loan	10/1/2020
63	Deer Lodge Coll. Sys. 2021 (MPDES# MT0022616)	C304255	IIIA	155	\$415,000 0	4/1/2023
64	Joliet Coll. Sys. Improv. (MPDES#MT0020249)	C302276	IIIA	150	\$230,000 Loan	9/1/2022
65	Missoula Compost Equipment (MPDES# MT0022594)	C301319	I	140	\$270,000 Loan	10/1/2023
66	Cascade Coll. Sys. 2024 Improv. (No MPDES permit)	C304258	IIIB	130	\$420,000 Loan	5/1/2024
67	Chester WW Improv. Project (MPDES# MT0020338)	C303715	I, IIIA, IIIB	130	\$1,000,000 Loan	6/1/2023
68	Hingham WW Sys Improv (No MPDES permit)	C303717	I, IIIB	125	\$1,000,000 Loan	8/1/2024
69	Missoula Land Application (MPDES# MT0022594)	C307195	VIIA	125	\$1,612,500 Loan	2/1/2024
70	Polson Stormwater Improvements (No MPDES permit)	C306119	VIID	115	\$500,000 Loan	7/1/2023
71	East Helena Wastewater Improv. (MPDES# MT0022560)	C303710	I, IIIA	110	\$3,253,000 Loan	6/1/2023
72	Libby WWTP Improvements (MPDES# MT003034)	C303151	I, IVA	110	\$2,000,000 Loan	6/1/2022
73	Missoula WWTP Volute Thickeners (MPDES# MT0022594)	C301320	I	75	\$1,300,000 Loan	2/1/2024
74	Arllee Powwow Road Lift Station (No NPDES permit)	C302277	IIIB	60	\$110,000 Loan	10/1/2022
75	Cut Bank N. Glacier Co. W&S Dis. (MPDES#MT0020141)	C302274	IIIB	55	\$200,000 Loan	7/1/2023
76	Helena, City of - Collection (MPDES# MT0022641)	C302250	IIIB	45	\$850,000 Loan	6/1/2023
Total Project Assistance:					\$194,581,458	

PROJECT DESCRIPTION CATEGORIES			
I	Secondary Treatment	VIID	NPS Urban Runoff
II	Advanced Treatment	VIII	NPS Ground Water
IIIA	Infiltration/Inflow Correction	VIIIF	NPS Marinas
IIIB	Major Sewer System Rehabilitation	VIIIG	NPS Resource Extraction
IVA	New Collectors & Appurtenances	VIIIH	NPS Brownfields
IVB	New Interceptors & Appurtenances	VII-I	NPS Storage Tanks
V	Correction of Combined Sewer Overflows	VIIJ	NPS Sanitary Landfills
VI	Stormwater Control	VIIK	NPS Hydromodification
VIIA	NPS Agric. (Cropland)	VIII	Confined Animals-Point Source
VIIIB	NPS Agric. (Animals)	IX	Mining-Point Source
VIIIC	NPS Silviculture		

ATTACHMENT II

**PROGRAM FUNDING STATUS
MONTANA WPCSRF BASE PROGRAM**

STATE FISCAL YEARS 1990 TO 2022

Capitalization Grants (NIMS line 57)	\$ 237,915,765
State Match (20% of cap grants).....	\$ 47,583,153
Overmatch: RIT, COI fees, investments, LLS (incl GO bonds in excess of 20% match)	91,690,002
Program Administration Expenses (NIMS line 244)	\$ (8,770,720)
Available to Loan.....	\$ 368,418,200
Principal Repayments and Interest as of May 2021 (DNRC).....	\$ 430,206,543
Transfers to DWSRF (principal repayments) (NIMS line 83).....	\$ (10,847,727)
Transfers from DWSRF (direct capitalization grants) (NIMS line 61).....	\$ 13,000,000
Total Funds Available to Loan through May, 2022.....	\$ <u>800,777,016</u>

SFY23

Capitalization Grant (FFY22)	\$ 5,681,000
DWSRF Transfer.....	\$ 0
State Match for FY22	
- Normal G.O. Bond match.....	\$ 1,555,800
- Additional BAN match.....	\$ 1,428,200
- Estimated Loan Loss Surcharge (LLS)	\$ 200,000
Program Administration Allowance.....	\$ (400,000)
Anticipated Investment Transfers (DNRC).....	\$ 1,250,000
Anticipated Principal Repayments and Interest (DNRC).....	\$ 26,725,377
Anticipated Overmatch (RIT or other).....	\$ 0
Anticipated transfers from special administration Acct	\$ 0
Available to Loan SFY23	\$ <u>36,440,377</u>

Total Funds Dedicated to Loan	\$ 837,217,393
Loans closed as of May 2022 (DNRC).....	\$(751,140,750)
Funds available for Loans in SFY23	\$ 86,076,643
Amount of estimated new loans identified on Attachment III of Fiscal Year 2023 Intended Use Plan	\$ 47,840,400

Note: While Attachment II shows a surplus of funds in the program, the “new loan amount” is based on estimated loan amounts many of which will likely need to be increased due to the current bidding climate and inflation which have resulted in higher project costs in several recently bid projects. A portion of this surplus (which includes non-federal dollars) will also fund the shortfall that is shown on Attachments II A (projects funded with the supplemental cap grant). EPA should also keep in mind that the infusion of American Rescue Plan Act (ARPA) grant funds into Montana wastewater infrastructure projects (approximately \$150 million statewide) has resulted in some projects no longer needing or

reducing the amount of SRF funds needed in their projects. The WPCSRF program has historically never had a problem fully obligating its funds within a reasonable period and we expect that will be the case this fiscal year as well.

ATTACHMENT II A

**PROGRAM FUNDING STATUS
MONTANA WPCSRF SUPPLEMENTALPROGRAM**

SFY23

Capitalization Grant (FFY22)	\$ 8,738,000
DWSRF Transfer.....	\$ 0
State Match for FY20	
- Normal G.O. Bond match.....	\$ 873,800
- Additional BAN match.....	\$ 0
- Estimated Loan Loss Surcharge (LLS)	\$ 0
Program Administration Allowance.....	\$ (400,000)
Anticipated Investment Transfers (DNRC).....	\$ 0
Anticipated Principal Repayments and Interest (DNRC).....	\$ 0
Anticipated Overmatch (RIT or other)	\$ 0
Anticipated transfers from special administration Acct	\$ 0

Available to Loan SFY23 \$ 9,211,800

Total Funds Dedicated to Loan \$ 9,211,800

Loans closed as of May 2022 (DNRC)..... \$(0)

Funds available for Loans in SFY23 \$ 9,211,800

Amount of estimated new loans identified on Attachment III A of
Fiscal Year 2023 Intended Use Plan \$ 13,802,500

Attachment III

State Fiscal Year 2023 IUP Attachment III (Base Cap Grant)
 \$5.681 M Cap grant (FFY22) updated 07/07/2022

Fundable projects for 2022/2023 construction	Total Loan Amount	Green Project Reserve	First Rnd Total FFY22 ***	Principal Forgiveness FFY22	1st rnd loan FFY22	Recycled or BAN SFY23	Unempl rate %	WW rate/ MHI (%)	Annual growth rate %	% population < 10000	% LMI	Composite Affordability Factor %**	Rank
Manhattan Wastewater Treatment Improvements*	6918000			previous award		5,562,600							
Wibaux Spray Irrigation*	1400000			previous award		1,050,000							
Gardiner W&S District Lagoon Rehabilitation*	2500000			previous award		2,150,000							
Terry WW Treatment Upgrades*	962000			previous award		662,000							
Hardin Phase 2 Treatment Improvements*	2789400			previous award		2,622,400							
Glendive Main Replacement/Rehabilitation*	1304000			previous award		978,000							
Kallispell Lift Station*	1790000			previous award		1,415,000							
Deer Lodge Collection System Project*	415000			previous award		311,250							
St. Regis Sewer Force Main Project*	900000			previous award		675,000							
East Helena Wastewater Improvemtns*	2502000			previous award		2,127,000							
West Yellowstone WWTP	8,000,000		750,000	750,000		7,250,000	1.8	1.10	-0.2	0.87	0.632	2.60	1
Hobson Wastewater System Improvements - Interim Financing	820,000		820,000	N/A	820,000								
Wolf Point Wastewater System Improvements	1,050,000	#	1,050,000	367,500	682,500		3.8	1.21	0.23	0.74	0.509	2.45	2
Havre Collection System Improvements	1,700,000		1,700,000	595,000	1,105,000		2.4	1.16	-0.83	0.06	0.403	2.20	3
Helena Primary Clarifier Lift Station	850,000		850,000	297,500	552,500		2.4	0.70	2.6	-2.23	0.421	-0.01	4
Riverside Connection to Bozeman	2,200,000		1,247,200		1,247,200	952,800	1.8	1.01	3.1	-4.29	0.536	-1.13	
Missoula Sewer utility	3,100,000					3,100,000	2.6	0.45	1.4	-6.37	0.484	-5.44	
DNRC Resource Development Bureau (Non-Point Source 25)	1,000,000	1,000,000		N/A		1,000,000							
Kallispell Fermenter	2,500,000			N/A		2,500,000							
Libby Creek Community	500,000					500,000							
Red Lodge Storm Sewer Project	2,300,000			N/A		2,300,000							
Fairview Collection System Design	250,000			N/A		250,000							
Paradise - Interim Financing	770,000			N/A		770,000							
Missoulal Momont Lift Station	1,320,000					1,320,000							
	47,840,400	1,000,000	6,417,200	2,010,000	4,407,200	37,496,050							

Preaward costs to be reimbursed with FFY21 grant
 Min green project reserve required: \$568,100
 Minimum Principal Forgiveness required \$1,136,200
 Max Principal Forgiveness allowed: \$2,272,400
 Administration = \$400,000
 State match (20% of grant): \$1,136,200
 Total grant with Match \$6,817,200
Total Grant (including match) expenditures 6,817,200

This assumes a maximum 30% subsidy with a cap of \$750,000 for projects with the highest composite affordability factor.
 WW rate / MHI taken from planning documents, possibly in combination with revised budgets, and census data.
 Unemployment rates taken from MT Dept of Labor and Industry website - by county. Current April 2022 unadjusted MT unemployment rate is 2.7%
 Growth rate (2020 Census - July, 2021) from US Census data. Benjamin Gill, MT Dept. of Commerce. Some data are by county and others by City (larger communities). Average annual since the 2020 census.
 Population taken from census data
 Low to Moderate Income (LMI) data taken from MT Department of Commerce Community Development Division website
 * awarded principal forgiveness in prior years
 ** See narrative discussion on composite formula derivation.
 *** "First Round" funds are those directly associated with the EPA Capitalization Grant

Attachment IIIA

State Fiscal Year 2023 IUP Attachment III A (Supplemental Cap Grant)

\$8.738 M Cap grant (FFY22)

updated 07/07/2022

Fundable projects for 2022/2023 construction	Total Loan Amount	First Rnd Total FFY22 ***	Principal Forgivene FFY22	1st rnd loan FFY22	Recycled or BAN SFY23	Unempl rate %	WW rate / MHI (%)	Annual Growth rate %	% Population < 10,000	LMI %	Composite Affordability Factor %**	Rank
SFY 2023 Construction Starts												
Fort Smith WW System	3,200,000	3,200,000	750,000	2,450,000		5.7	3.60	-0.92	0.99	0.714	7.62	1
North Cut Bank Collection System	197,000	197,000	96,530	100,470		6.3	2.44	0	0.70	0.422	5.80	2
Kallispell EQ Basin	3,100,000	3,100,000	750,000	2,350,000		3.3	0.99	6.8	-1.44	0.487	5.33	3
Joliet Collection System Improvements	230,000	142,410	112,700	29,710	87,590	2.8	1.72	3.09	0.94	0.538	4.79	4
Arlee Lift Station	110,000	53,900	53,900		56,100	2.9	1.17	2.61	0.94	0.6	3.81	5
Phillipsburg WWTF Improvements	1,220,000	597,800	597,800		622,200	4.4	1.94	0.95	0.92	0.492	3.70	6
Jordan Treatment Expansion	450,000	220,500	220,500		229,500	2.2	0.67	2.9	0.97	0.515	3.55	7
Denton Lagoon Rehabilitation	862,000	422,380	422,380		439,620	2.9	1.43	1.4	0.98	0.449	2.86	9
Drummond Lagoon Improvements	518,000	253,820	253,820		264,180	4.4	0.92	1.08	0.97	0.56	2.80	10
Chester Collection System	920,000	450,800	450,800		469,200	2	0.89	-0.8	0.92	0.337	2.69	8
Lakeside WWTF Improvements	1,400,000	573,190	573,190		826,810	3.3	0.79	2.15	0.78	0.424	2.63	11
Helena Collection System	850,000				850,000	2.4	0.70	2.6	-2.23	0.421	-0.01	
Polson Stormwater	500,000		N/A		500,000							
Missoula South Hills Stormwater	245,500		N/A		245,500							
Total	13,802,500	9,211,800	4,281,620	4,930,180	4,590,700							

Preaward costs to be reimbursed with FFY22 grant

Required Principal Forgiveness \$4,281,620

Administration = \$400,000

400,000

State match (10% of grant): \$873,800

Total grant with Match \$9,611,800

Total Grant (including match)expenditures

9,611,800

This assumes a 49% subsidy for most projects with a cap of \$750,000 for projects with the highest composite affordability factor.

WW rate / MHI taken from planning documents, possibly in combination with revised budgets, and census data.

Unemployment rates taken from MT Dept of Labor and Industry website - by county. Current April 2022 unadjusted MT unemployment rate is 2.7%

Population and growth rate (2020 census - July, 2021) from US Census data. Benjamin Gill, MT Dept. of Commerce. Some data are by county and others by City (larger communities). Average annual since the 2020 census.

Low to Moderate Income (LMI) data taken from MT Department of Commerce Community Development Division website

* awarded principal forgiveness in prior years

** See narrative discussion on composite formula derivation.

*** "First Round" funds are those directly associated with the EPA Capitalization Grant